

February 15, 2012

ITEM NO. B3

AUTHORIZATION TO: 1) ENTER INTO A CONTRACT WITH DAVIS LAKEFRONT LLC FOR ENVIRONMENTAL REMEDIATION AND EXTRAORDINARY SITE WORK ACTIVITIES AT THE LAKEFRONT PHASE II RENTAL DEVELOPMENT SITE; AND 2) EXECUTE OTHER DOCUMENTS AS NECESSARY TO IMPLEMENT THE FOREGOING

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to enter into a contract for environmental remediation and extraordinary site work activities (Remediation and Site Work Agreement") with Davis Lakefront LLC (the "Developer") for a total contract amount not to exceed \$5,750,318 which represents 200% of the estimated remediation cost for the Lakefront Phase II Rental Development Site (\$2,732,095); the amount necessary for the required extraordinary site work (\$2,624,542); plus a contingency of 15% (\$393,681) of the extraordinary site work cost; all of which are needed to address build ability and site safety concerns at this development site. The term of the Remediation and Site Work Agreement shall commence at closing and expire the earlier of (i) receipt of a "No Further Remediation" letter from the Illinois Environmental Protection Agency ("IEPA") or (ii) two (2) years, subject to a one (1) year extension at CHA's election.

FUNDING

Not to exceed \$5,750,318 of General and/or Other Funds

Vendor: **Davis Lakefront LLC**

Contract Type: Environmental Remediation and Extraordinary Site Work

Contract Amount: \$5,750,318 (\$2,732,095 represents 200% of the estimated remediation cost and \$3,018,223 for the extraordinary site work including a 15% contingency)

Contract Period: From closing throughout receipt of "No Further Remediation" letter, or two (2) years subject to a one (1) year extension at CHA's election

M/W/DBE Participation:

Compliance affidavit on file

Section 3:

Compliance affidavit on file

EXPLANATION

In December, 2006, Davis Lakefront LLC was selected as the developer for the Lakefront Phase II Rental Development site in response to a Request for Proposals (RFP) issued by The Habitat Company, LLC ("Habitat"), in its role at the time as Receiver for CHA's development of new non-elderly public housing, and the Chicago Housing Authority. Pursuant to a Master Development Agreement (MDA) between CHA, Habitat and the Developer dated December 1, 2008, it was agreed that CHA would fund the cost of site remediation for pre-existing environmental conditions on the entire rental development site, other than the costs the Developer would have incurred in any event, subject to certain rights to terminate for infeasibility.

As part of the construction preparation for the Lakefront Phase II Rental development, a number of environmental investigation studies were completed for the CHA-owned land. These studies have identified certain environmental contaminants on the site that can be effectively remediated with an "engineered barrier" approach.

This approach is the preferred method because it is the least costly and is also acceptable to the Illinois Environmental Protection Agency. Under the engineered barrier approach to remediation, the top 3 feet of soil will be removed and disposed of as “special waste” at an approved licensed special waste landfill, and replaced by the equivalent quantity of clean soil in all proposed landscaped areas. The soil removed for the excavation of the foundations will be disposed of as special waste. The balance of the site will be capped by impermeable surfaces (i.e. building structures, parking lots, streets, sidewalks, etc.). This is the approach that was used on the first two phases of construction at the Lake Park Crescent Phase 1 Rental and Phase I For-Sale developments which are interspersed within the proposed Lakefront Phase II Rental development. Both the Lake Park Crescent and the proposed Lakefront Phase II development sites are comprised of CHA land formerly known as the Lake Michigan Homes Development.

The estimated remediation cost for the Lakefront Phase II Rental site is \$1,366,047 and CHA’s contractual responsibility, pursuant to the MDA, for remediating foreseen and unforeseen environmental conditions is capped at 200% of the estimated total remediation cost and equals \$2,732,095. Since the beginning of the Plan for Transformation, a cap of 200-225% of the calculated remediation estimate was exhaustively negotiated and included in Developer MDA’s. Additionally the overall actual remediation costs expended to date have been less than the sum of the estimated remediation costs.

In addition to the remediation that is often required in developing property in established urban environments, the Lakefront Phase II (“Phase II”) site has a number of site preparation challenges not present at other CHA development locations that is being referenced herein as “extraordinary site work”. The most notable is soil above the level of the streets known as a crown. In many areas of the Phase II site, the crown is three (3) to five (5) feet above the level of the street. This will require additional excavation work estimated at \$1,642,053 to remove and properly dispose of the excess soil. Also, to allay safety concerns, an existing chain link fence separating the CHA property from the Metra tracks near the development site is being extended at a cost of \$24,510. Lastly, certain other site work features of the undeveloped portions of the site are being completed to facilitate the overall site development and work necessary for the current construction phase at a cost of \$957,979. These provisions include:

- Overall site utility excavation and necessary installation,
- Sidewalks and pavers, with associated excavation and back fill costs to provide site accessibility and walkability,
- Site fencing and associated landscaping to ensure site security.

All of the foregoing extraordinary site work totals \$3,018,223 and is inclusive of a 15% contingency. The contingency will only be used as necessary.

The required M/W/DBE participation commitment is 40% or \$2,300,127 of the estimated total cost of \$5,750,318. Additionally, the contractor has made a commitment to hire two (2) Section 3 individuals, likely as laborers.

Based on the foregoing, it is in the best interest of CHA to enter into a Remediation and Site Work Agreement with Davis Lakefront LLC, for environmental remediation and extraordinary site work activities to be performed on CHA-owned land at the Lakefront Phase II Rental Development, in an amount not to exceed \$5,750,318.

RESOLUTION NO. 2012-CHA-11

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated February 15, 2012 requesting authorization to enter into a contract for environmental remediation and extraordinary site work activities with Davis Lakefront LLC, the Developer, for a total contract amount not to exceed \$5,750,318 (which represents 200% of the estimated remediation amount, and extraordinary site work costs including a 15% contingency) for the Lakefront Phase II Rental Development Site. The term of the Remediation and Site Work Agreement shall commence at closing and expire the earlier of (i) receipt of a "No Further Remediation" letter from the Illinois Environmental Protection Agency or (ii) two (2) years, subject to a one (1) year extension at CHA's election.

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to enter into a Remediation and Site Work Agreement with Davis Lakefront LLC, the developer, for environmental remediation and extraordinary site work activities at the Lakefront Phase II Rental development site, for a total contract amount not to exceed \$5,750,318 (which represents 200% of the estimated remediation cost for the Lakefront Phase II Rental Development site, the additional extraordinary site work, and a 15% contingency). The term of the Remediation and Site Work Agreement shall commence at closing and expire the earlier of (i) receipt of a "No Further Remediation" letter from the Illinois Environmental Protection Agency or (ii) two (2) years, subject to a one (1) year extension at CHA's election. The contingency will only be used as necessary

